BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the East	)	
Ohio Gas Company d/b/a Dominion Energy	)	Case No. 22-619-GA-RDR
Ohio for Authority to Adjust Its Capital	)	
Expenditure Program Rider Charges	)	

SUPPLEMENTAL DIRECT TESTIMONY OF CELIA B. HASHLAMOUN ON BEHALF OF THE EAST OHIO GAS COMPANY D/B/A DOMINION ENERGY OHIO

August 31, 2022

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I. INTRODUCTION

Q1. Please state your name and business address.

A. My name is Celia B. Hashlamoun. My business address is 1201 East 55th Street, Cleveland, Ohio 44103.

Q2. By whom are you employed?

A. I am employed by The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO or the Company) as a Regulatory Specialist in the Regulatory & Pricing group.

Q3. Are you familiar with the Company's Application with Attachments A-E filed in this proceeding on April 1, 2022?

A. Yes.

Q4. Are you the same Celia B. Hashlamoun who submitted Direct Testimony with the Application?

A. Yes.

Q5. What is the purpose and scope of your supplemental direct testimony?

A. My testimony addresses the July 28, 2022 Staff Review and Recommendation (Staff Report) and the August 15, 2022 comments submitted by the Office of the Ohio Consumers' Counsel (OCC).

II. STAFF REPORT

Q6. Please summarize the Staff Report.

A. The Staff Report details Staff's investigation and recommendations concerning DEO's Application to adjust its Capital Expenditure Program (CEP) rider rates. The Staff Report adopts the recommendations in the audit report submitted by Blue Ridge Consulting Services, Inc. (Blue Ridge Audit Report) and discusses two specific Blue Ridge recommendations: the future monitoring of CEP projects for incremental revenue and the calculation of Accumulated Deferred Income Tax (ADIT) for the CEP revenue requirement. In addition, the Staff Report recommends that DEO remove costs for two work orders associated with renovating employee fitness areas "from plant balances for review in the next CEP audit and for their next base rate case." (Staff Rep. at 4.) Lastly, the Staff Report includes Staff's review of "measures of profitability," as directed by the Commission in its December 30, 2020 Opinion and Order in Case No. 19-468-GA-ALT. Based on Staff's review of 2019-2021 data for Ohio natural gas local distribution companies, "Staff avers that the metrics indicate that Dominion has not significantly over-earned or under-earned." (Staff Rep. at 6.)

Q7. Did DEO submit comments in response to the Staff Report?

A. Yes. DEO submitted comments in response to two Staff Report recommendations. The DEO comments set forth the basis for accepting Staff's recommendation regarding the calculation of ADIT for updating CEP Rider rates. In addition, the comments indicate that the Company is not opposed to Staff's recommendation to remove fitness area renovation costs from recovery in the CEP Rider, but reserves the right to seek recovery of the costs in future base rates.

Q8. Did the DEO comments indicate why DEO is reserving rights regarding the recovery of fitness area renovation costs?

A. Yes. As stated in the comments, DEO does not agree with Staff's position regarding the recovery of fitness area renovation costs. But given the absence of any impact on the CEP Rider rate, and to limit the number of contested issues in this proceeding, DEO is willing to remove the costs for the work orders cited by Staff from the CEP Rider. However, the Company believes that the question of base-rate recovery is beyond the scope of this proceeding and may be addressed in DEO's next base rate filing if DEO pursues recovery of such costs.

Q9. Setting to the side the issue of base-rate recovery of fitness area renovation costs, are there unresolved issues between Staff and the Company?

A. No. The Company is not objecting to the updated CEP revenue requirement, as modified by the Blue Ridge Audit Report. DEO has accepted Staff's recommendation that the calculation of ADIT should be addressed in conjunction with DEO's next base rate case. And DEO does not object to the other Blue Ridge recommendations.

III. OCC COMMENTS

Q10. Please summarize the OCC comments.

A. The OCC comments recommend that the Commission adopt the recommendations of the Blue Ridge Audit Report and the Staff Report. In addition, OCC recommends that the Commission update the rate of return (ROR) used to calculate the CEP revenue requirement.

Q11. Is this the only contested issue between OCC and the Company?

A. Yes.

Q12. What rate of return was used to calculate the CEP revenue requirement?

A. A pre-tax rate of return of 9.91% was applied to the CEP rate base. This is the same rate of return authorized by the Commission in DEO's last base rate case, adjusted to reflect the federal income tax rate of 21% in accordance with the Tax Cuts and Jobs Act. (*See* Application, Attachment A, Schedules 2 and 4.) This is also the same rate of return consistently utilized in all prior CEP filings and approved by the Commission. The OCC comments suggest using a pre-tax rate of return of no more than 7.20%. (OCC Cmts. at 7.)

Q13. Did the Blue Ridge Audit Report or Staff Report object to the Company's proposed rate of return?

A. No.

Q14. Has OCC previously made this recommendation?

A. Yes. Although I am not an attorney, I am aware that OCC previously recommended that the Commission make this same adjustment to the rate of return used in the calculation of the revenue requirement for the CEP Rider in Case Nos. 19-468-GA-ALT and 21-619-GA-RDR. In addition, I am aware that OCC made the same recommendation with respect to the Company's Pipeline Infrastructure Rider (PIR) in Case Nos. 20-1634-GA-ALT and 21-1095-GA-RDR.

Q15. Did the Commission adopt OCC's prior recommendations with respect to the rate of return in DEO's CEP Rider and PIR Cost Recovery Charge?

A. No.

Q16. Does the Company continue to oppose OCC's recommendation to impute a lower rate of return embedded in the CEP revenue requirement?

A. Yes. The Company believes that OCC is raising identical issues with respect to ROR that the Commission has resolved in numerous decisions over the past 20 months. The Company continues to maintain the same position and support the same policy rationale explained in its testimony and briefing in those proceedings and continues to oppose OCC's position. In addition, in its Second Entry on Rehearing in Case No. 19-468-GA-ALT (Feb. 23, 2022), the Commission accelerated the timing of DEO's next base rate case, requiring the application to be filed in 2023. In that base rate case application, all components of DEO's cost of service, including cost of capital, will be evaluated. Lastly, Staff's review of "measures of profitability" in this case, based on its analysis of returns for local distribution companies (LDC) for years 2019-2021, indicated that DEO has not significantly over-earned or under-earned.

Q17. In its comments, OCC also suggests that recent increases in gas supply charges and inflation justify reducing the CEP rate of return. Does the Company agree with OCC's suggestion?

A. No. OCC cited increases in gas supply costs and inflation in the prior proceedings in which the Commission rejected OCC's challenges to the rate of return used in calculating the PIR revenue requirement. *See*, *e.g.*, Case No. 21-1095-GA-RDR, Opin. & Order (June 1, 2022) ¶ 30; Case No. 20-1634-GA-ALT, Opin. & Order (Apr. 20, 2002) ¶ 55. In addition to the fact that changes in commodity costs are beyond DEO's control and have no bearing on the necessity of investments in DEO's distribution system, DEO has already stipulated to limits on bill impacts as part of the 19-468 Stipulation.

IV. CONCLUSION

Q18. What is your recommendation to the Commission?

A. I recommend that the Commission timely approve DEO's Application as modified by the Staff Report and the Company's abovementioned reservation of rights, so that updated rates for the CEP Rider shall become effective as of the first billing cycle in October, as stated in DEO's tariff.

Q19. What is the significance of the effective date of updated CEP rates being delayed?

A. Delaying the effective date of new CEP rates increases the deferrals on 2022 CEP investments, including post-in-service carrying costs, which continue to accumulate until the rates are effective. Delaying the effective date of new CEP rates also potentially increases the amount of the revenue reconciliation in the next CEP update. Both impacts have the effect of increasing subsequent rates charged to customers.

Q20. Does this conclude your supplemental direct testimony?

A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a courtesy copy of this filing was served by electronic mail this 31st day of August, 2022, to the following:

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